



Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit

Economic Development Fund

Michigan Department of Transportation

Report Number:
591-0135-06

Released:
March 2008

The Economic Development Fund (EDF) was created by Act 231, P.A. 1987 (Sections 247.901 - 247.914 of the Michigan Compiled Laws). The mission of EDF is to fund transportation improvements that enhance the State's ability to compete in an international economy, that serve as a catalyst for the economic growth of the State, and that improve the quality of life in rural and urban areas of the State.

Audit Objective:

To assess the effectiveness of EDF's administrative controls to ensure that funds are distributed to local units of government for highway, road, and street projects that support economic growth.

Audit Conclusion:

We concluded that EDF's administrative controls to ensure that funds are distributed to local units of government for highway, road, and street projects that support economic growth were moderately effective. We noted five reportable conditions (Findings 1 through 5).

Reportable Conditions:

The Office of Economic Development and Enhancement (OEDE) did not complete a postproject verification of the actual jobs created or other economic benefits for the projects completed and funded by EDF (Finding 1).

OEDE did not sufficiently document the basis for the scoring of grant applications (Finding 2).

OEDE did not use up-to-date labor statistics to evaluate Category A grant applications (Finding 3).

OEDE's return on investment formula, used to evaluate Category A grant applications, did not consider the long-term economic impact of the new jobs reported in grant applications (Finding 4).

OEDE should seek amendatory legislation to require the use of current information when allocating funds for Category C and E grants (Finding 5).

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Audit Objective:

To assess the effectiveness of Transportation Economic Development System (TEDS) controls to ensure accurate, complete, and secure information used in evaluating and processing project grant applications.

Audit Conclusion:

We concluded that TEDS controls to ensure accurate, complete, and secure information used in evaluating and

processing project grant applications were moderately effective. We noted two reportable conditions (Findings 6 and 7).

Reportable Conditions:

OEDE did not document the complete basis used to score and evaluate Category A grant applications and did not utilize some established scoring criteria to review and evaluate Category A grant applications (Finding 6).

OEDE did not have adequate security over the access and use of TEDS (Finding 7).

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Agency Responses:

Our audit report contains 7 findings and 7 corresponding recommendations. The Michigan Department of Transportation's preliminary response indicates that OEDE agrees with all of the recommendations.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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